

IRRRB Meeting Minutes
Tuesday, April 22, 2014
10:00 a.m.
Room 500 South, State Office Building
St. Paul, Minnesota

1) Roll Call

Senator David Tomassoni, Board chair, called the meeting to order at approximately 10:05 a.m. Present: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich (arrived at 12:45 p.m.), Senator Tom Bakk, Senator Tom Saxhaug, Senator Rod Skoe. Minute Taker: Laureen Hall, Executive Assistant. Also present: Tony Sertich, Commissioner; Al Becicka, IRRRB Legal Counsel; Steve Peterson, Executive Director of Development; Linda Johnson, Director of Giants Ridge; Dave Hart; Loan Officer Supervisor; Chris Ismil, Community Development Representative; Bob Scuffy, Accounting Director; Gary Cerkenik, Mt. Iron EDA representative; Mark Skelton, Mayor, City of Hoyt Lakes; Curt Anttila, East Range Joint Powers Board; Atul Thakrar, President & CEO and Andrew Skinner, Vice President, Operations, Segetis, Inc., Al Rudeck, Allele/Minnesota Power.

2) Approval of the January 30, 2014, Minutes

Action required: Approval requires a simple majority of the quorum

Representative Tom Anzelc moved approval of the January 30, 2014, minutes. Seconded by Senator Tom Saxhaug. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Senator Tom Bakk, Senator Tom Saxhaug, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Representative Joe Radinovich

3) Budget Amendment – Resolution #14-055

Action required: Approval requires a simple majority of the quorum

Senator Tom Bakk moved to approve amendment of the FY 14 budget by adding available carryforward funds to increase the amount of the TEPF Public Works line item to fund infrastructure projects as presented in Resolution #14-055. Seconded by Representative David Dill. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Senator Tom Bakk, Senator Tom Saxhaug, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Representative Joe Radinovich

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
FISCAL YEAR 2014 AGENCY BUDGET AMENDMENT APPROVAL**

Resolution No.: 14-055

WHEREAS, the Board and Governor have previously approved a Fiscal Year 2014 Budget pursuant to the provisions of Minnesota Statutes Section 298.22, Subd. 11, for the funding of the operational expenditures, programs and projects of the agency during the State's fiscal year 2014, which covered the period of time from July 1, 2013, through June 30, 2014 (the "**FY14 Budget**"); and

WHEREAS, the FY14 Budget, as amended by the Board at its December 20, 2013 meeting, made a total of \$7,025,000 available for Public Works Projects from the Taconite Area Environmental Protection Fund ("**TEPF**") account; and

WHEREAS, the Commissioner has requested the Board to approve an amendment to the FY14 Budget to add \$840,000 of available TEPF carryforward funds to the Public Works Projects line item in the FY14 Budget, which action would have the effect of increasing the authorized balance in the FY14 Budget's Public Works Projects Budget line item by \$840,000 (the "**Proposed Budget Amendment**") to the total sum of \$7,865,000 for FY14; and

WHEREAS, the Board met in open session at 10:00 a.m. on April 22, 2014, in the State Office Building in St. Paul, Minnesota, to consider, among other matters, the Proposed Budget Amendment and determined that amending the FY14 Budget as proposed would help promote economic development within the Taconite Assistance Area.

NOW, THEREFORE, IT IS HEREBY RESOLVED, that the Board approves amending the FY14 Budget to add \$840,000 of available TEPF carryforward funds to the Public Works Projects line item in the FY14 Budget, thereby increasing the authorized amount of the FY14 Budget line item for Public Works Projects to \$7,865,000.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 22nd DAY OF APRIL 2014.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich				X
TOTAL	8	0	0	1

Signed: _____
Senator David Tomassoni, Chair

4) Infrastructure Projects – Resolution #14-056

Action required: Approval requires a simple majority of the quorum

Representative Jason Metsa moved to approve infrastructure grants totaling \$590,000: \$250,000 to the city of Gilbert, \$90,000 to Lake County and \$250,000 to the city of Mt. Iron as presented in Resolution #14-056. Seconded by Representative David Dill. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Senator Tom Bakk, Senator Tom Saxhaug, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Representative Joe Radinovich

IRON RANGE RESOURCES AND REHABILITATION BOARD OF THE STATE OF MINNESOTA INFRASTRUCTURE PROJECT APPROVALS

Resolution No.: 14-056

WHEREAS, the Commissioner is authorized to expend, upon approval of the Board, the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the economic development of the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”), by investing in local economic development projects within the TAA; and

WHEREAS, the agency’s approved FY14 Budget, as amended earlier this date, includes the allocation of \$7,865,000 of TEPF Funds for Public Works Projects (“**TEPF Public Works Funds**”), of which \$7,025,000 has already been obligated for projects by prior Board actions, leaving \$840,000 that has not yet been approved by the Board for expenditure during FY14; and

WHEREAS, the Commissioner has received proposals for the expenditure of up to \$590,000 of such TEPF Public Works Funds for those certain community and economic development projects that are more specifically described in Exhibit A, which is attached hereto and incorporated by reference (“**Proposed Projects**”); and

WHEREAS, the Board met in open session at 10:00 a.m. on April 22, 2014, in the State Office Building in St. Paul, Minnesota, to consider, among other matters, the Proposed Projects and has determined that the expenditure of the following amounts of TEPF Funds for the purposes and in the amounts specified below would be in the public interest and promote economic development within the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$590,000 of FY14 TEPF Public Works Funds to provide grants for the Proposed Projects in the amounts and for the purposes set forth in Exhibit A.

BE IT FURTHER RESOLVED that the Board's approval for the expenditure of FY 14 TEPF Public Works Funds for all Proposed Projects, including those Proposed Projects which have associated private development work, is contingent upon the agency, in its grant contracts, requiring each such grantee entity to commit to the payment of prevailing wages for the funded project as required by law, or to the extent required in the Board's Resolution 96-005.

BE IT FURTHER RESOLVED that the Board's approval for the expenditure of FY14 TEPF Public Works Funds for the Proposed Projects is further contingent upon all such project financing being in place before the agency's funds are released.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 22nd DAY OF APRIL 2014.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzels	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich				X
TOTAL	8	0	0	1

Signed: _____
 Senator David Tomassoni, Chair

EXHIBIT A INFRASTRUCTURE GRANTS FY14

City of Gilbert

Grant Amount: \$250,000

The project is comprised of infrastructure and site work for the expansion of Mesabi Bituminous in the city of Gilbert. This project will provide leverage for a new 5,200 square foot expansion. The project is expected to create 11 permanent jobs.

USES

SOURCES

Building	\$65,000	IRRRB	\$250,000
Site work and roads	602,300	City	35,000
		Private	130,000
		DNR	252,300
TOTAL	\$667,300	TOTAL	\$667,300

Lake County

Grant Amount: \$90,000

The project is comprised of new water and sewer line connections to service the expansion of an existing business in Lake County. This project will provide leverage for a new 10,000 square foot expansion. The project is expected to create 12 permanent jobs.

USES**SOURCES**

Buildings	\$1,197,000	IRRRB	\$90,000
Water, sewer and roads	80,000	Private	1,197,000
A & E	10,000		
TOTAL	\$1,287,000	TOTAL	\$1,287,000

City of Mt. Iron**Grant Amount: \$250,000**

The project is comprised of the total reconstruction of Mt. Iron Drive from Highway 53 to the Canadian National Railroad crossing.

USES**SOURCES**

Storm sewers and roads	\$650,000	IRRRB	\$250,000
		City	400,000
TOTAL	\$650,000	TOTAL	\$650,000

Representative Tom Anzelc mentioned that the Board had previously approved nearly \$1 million for communities to work in collaboration for new emergency services buildings. He asked that the Board receive a status report in the future.

5) Other**a) City of Eveleth – Resolution #14-057**

Action required: Approval requires a simple majority of the quorum

Representative Jason Metsa moved to approve repurposing \$250,000 in a grant to the city of Eveleth from cancelled funds from a previously approved project that did not occur to now be used for water and sewer upgrades and road and alley reconstruction on several city streets in the city of Eveleth as presented in Resolution #14-057. Seconded by Representative Tom Anzelc. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Senator Tom Bakk, Senator Tom Saxhaug, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Representative Joe Radinovich

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
EVELETH INFRASTRUCTURE REPURPOSING PROJECT APPROVAL**

Resolution No.: 14-057

WHEREAS, the Commissioner is authorized to expend, upon approval of the Board, the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the economic development of the Taconite Assistance Area designated in Minnesota

Statutes Section 273.1341 (“**TAA**”), by investing in local economic development projects within the TAA; and

WHEREAS, the agency’s approved FY14 Budget, as amended earlier this date, includes the allocation of \$7,865,000 of TEPF Funds for Public Works Projects (“**TEPF Public Works Funds**”), of which \$7,615,000 has already been obligated for projects by prior Board actions, leaving \$250,000 that has not yet been approved by the Board for expenditure during FY14; and

WHEREAS, through prior actions at Board meetings in August 2009 and December 2010, the Board approved the expenditure of up to \$1,150,000 for use by the City of Eveleth for projects that did not occur, resulting in the cancellation of such funds by the agency (“**Cancelled Funds**”); and

WHEREAS, the Commissioner has received a proposal from the City of Eveleth for the expenditure of up to \$250,000 for an economic development project that is more specifically described in Exhibit A, which is attached hereto and incorporated by reference (“**Proposed Project**”); and

WHEREAS, the amount of the requested expenditure for the Proposed Project is available for repurposing from the Cancelled Funds, and such amount was previously included by the Board as part of the increase to the FY 14 Budget line item for TEPF Public Works Funds; and

WHEREAS, the Board met in open session at 10:00 a.m. on April 22, 2014, in the State Office Building in St. Paul, Minnesota, to consider, among other matters, the Proposed Project and has determined that the expenditure of the following amounts of TEPF Funds for the purposes and in the amounts specified below would be in the public interest and promote economic development within the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$250,000 of FY14 TEPF Public Works Funds to provide a grant to the City of Eveleth for the Proposed Project for the purposes set forth in Exhibit A.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of FY 14 TEPF Public Works Funds for the Proposed Project is contingent upon the agency, in its grant contract, requiring the grantee entity to commit to the payment of prevailing wages for the funded project as required by law, or to the extent required in the Board’s Resolution 96-005.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of FY14 TEPF Public Works Funds for the Proposed Project is further contingent upon all such project financing being in place before the agency’s funds are released.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 22nd DAY OF APRIL 2014.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			

Representative Joe Radinovich				X
TOTAL	8	0	0	1

Signed: _____
 Senator David Tomassoni, Chair

City of Eveleth

Grant Amount: \$250,000

The project is comprised of water and sewer upgrades and road and alley reconstruction on several streets throughout the city of Eveleth.

USES

SOURCES

Street/Alley Reconstruction	\$332,279	IRRRB	\$250,000
Water/Sewer Upgrades	95,850	City	263,757
A & E and Contingency	85,628		
TOTAL	\$513,757	TOTAL	\$513,757

b) Giants Ridge Budget Amendment – Resolution #14-058

Action required: Approval requires a simple majority of the quorum

Senator Tom Saxhaug moved to approve amendment of the FY14 Budget by adding available carryforward funds to increase the Giants Ridge budget non-payroll line item to enable it to purchase rather than lease golf carts as presented in Resolution #14-058. Seconded by Representative Carly Melin. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Senator Tom Bakk, Senator Tom Saxhaug, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Representative Joe Radinovich

**IRON RANGE RESOURCES AND REHABILITATION BOARD
 OF THE STATE OF MINNESOTA
 FISCAL YEAR 2014 GIANTS RIDGE BUDGET AMENDMENT APPROVAL**

Resolution No.: 14-058

WHEREAS, the Board and Governor have previously approved a Fiscal Year 2014 Budget pursuant to the provisions of Minnesota Statutes Section 298.22, Subd. 11, for the funding of the operational expenditures, programs and projects of the agency during the State's fiscal year 2014, which covered the period of time from July 1, 2013, through June 30, 2014 (the "**FY14 Budget**"); and

WHEREAS, the FY14 Budget made a total of \$7,996,901 available for the Giants Ridge Golf and Ski Resort ("**Giants Ridge**") for payroll and non-payroll expenses ("**Giants Ridge Budget**"); and

WHEREAS, Giants Ridge has an opportunity to realize net cost savings of \$826,000 over the next eight years by purchasing rather than leasing a fleet of golf carts for use at its golf courses, which supports economic development through improved course operations, increased tourism and additional monies

available for future projects; and

WHEREAS, the Commissioner has requested the Board to approve an amendment to the FY14 Budget to add \$900,000 of available Taconite Environmental Protection Fund (“**TEPF**”) carryforward funds to the Giants Ridge Budget non-payroll line item in the FY14 Budget, which action would have the effect of increasing the authorized balance in the FY14 Budget’s Giants Ridge non-payroll line item by \$900,000 to the total sum of \$8,896,901 for FY14 (the “**Proposed Budget Amendment**”), which would enable Giants Ridge to purchase rather than lease golf carts; and

WHEREAS, the Board met in open session at 10:00 a.m. on April 22, 2014, in the State Office Building in St. Paul, Minnesota, to consider, among other matters, the Proposed Budget Amendment and determined that amending the FY14 Budget is in the best interest of Giants Ridge and the agency.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves amending the FY14 Budget to add \$900,000 of available TEPF carryforward funds to the Giants Ridge Budget non-payroll line item in the FY14 Budget, thereby increasing the authorized amount of the FY14 Budget for Giants Ridge to \$8,896,901.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 22nd DAY OF APRIL 2014.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich				X
TOTAL	8	0	0	1

Signed: _____
Senator David Tomassoni, Chair

c) Highway 1 Corridor Account Project – Resolution #14-059

Action required: Approval requires a simple majority of the quorum

Senator Tom Bakk moved to approve the expenditure of up to \$70,000 of the Highway 1 Corridor Account Funds for a grant to the city of Cook for an economic development project as presented in Resolution #14-059. Seconded by Representative David Dill. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Senator Tom Bakk, Senator Tom Saxhaug, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Representative Joe Radinovich

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
HIGHWAY 1 CORRIDOR ACCOUNT PROJECT APPROVAL**

Resolution No.: 14-059

WHEREAS, the Commissioner is authorized to expend, upon approval by the Board, special fund Highway 1 Corridor Account monies made available under Minnesota Statutes Section 298.2961, subd. 5 (19) ("**Highway 1 Corridor Account Funds**") for economic development projects in the cities of Babbitt, Cook, Ely or Tower; and

WHEREAS, the Commissioner has received a proposal for the expenditure of up to \$70,000 of such Highway 1 Corridor Account Funds for an economic development project in the City of Cook to provide financing for an existing employer to improve its business; and

WHEREAS, the Board met in open session at 10:00 a.m. on April 22, 2014, at the State Office Building in St. Paul, Minnesota, to consider, among other matters, the proposal and has determined that the expenditure of the proposed Highway 1 Corridor Account Funds in the amount specified below would be in the public interest.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$70,000 of the Highway 1 Corridor Account Funds for a grant to the City of Cook for an economic development project.

BE IT FURTHER RESOLVED that the Board's approval for the expenditure of Highway 1 Corridor Account Funds for the project is contingent upon the grantee entity to commit to the payment of prevailing wages for the funded project as indicated in, and to the extent required in, the Board's Resolution 96-005.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 22ND DAY OF APRIL 2014.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich				X
TOTAL	8	0	0	1

Signed: _____
Senator David Tomassoni, Chair

Senator Tom Bakk made a request that the agency continue to replenish the DJJ Trust Fund through the FY15 Budget. An expenditure had been made from the DJJ Trust Fund (as a cost saving measure) to redeem outstanding bonds used to finance the construction of the Golf Course(s) at Giants Ridge, which the Board previously had approved that included a provision for repayment to the DJJ Trust Fund.

6) Segetis, Inc. – Resolution #14-054

Action required: Approval requires unanimous votes of all members of the Board

After a discussion regarding the Segetis project, at 11:31 a.m., Chairman David Tomassoni put the meeting on hold until 12:45 p.m.

The meeting reconvened at 12:47 p.m.

Representative Jason Metsa moved to approve a direct loan of \$20,000,000 to Segetis, Inc. for engineering and construction of its plant and a non-recourse loan of \$1,200,000 to the city of Hoyt Lakes for a building to be leased to Segetis for offices, warehouse and quality-control, as well as a \$7,100,000 grant from the Minnesota 21st Century Fund to the city for municipal infrastructure improvements as presented in Resolution #14-054. Seconded by Representative David Dill. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Tom Saxhaug, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: None

Chairman Tomassoni noted that all Board members were present and had unanimously voted to approve the project.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
SEGETIS INC. PROJECT APPROVAL**

Resolution No.: 14-054

WHEREAS, the Commissioner is authorized to expend, upon approval by a majority of all Board members, the Douglas J. Johnson Economic Protection Trust Fund monies made available under Minnesota Statutes Sections 298.291-298.294 and Minnesota Statute Section 298.28, subdivision 11 (“**DJJ Funds**”), to provide loans and participate with private sources in providing financing for various projects located within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (“**TAA**”) which will serve the purposes detailed in Minnesota Statutes Section 298.292, subdivision 1; and

WHEREAS, Minnesota Statutes Section 298.296, Subdivision 2 (d) authorizes the Commissioner to expend, within or for the benefit of the TAA and upon prior approval by an affirmative vote of all members of the Board, the corpus of the Douglas J Johnson Economic Protection Trust Fund, (the “**DJJ Fund Corpus**”), for projects and programs described in Minnesota Statutes Section 298.292, subdivision 1 that either (a) are designed to create and maintain productive, permanent, skilled employment, including employment in

technologically innovative businesses; or (b) encourage diversification of the economy and promote the development of certain sectors of the TAA economy; or (c) for which technological and economic feasibility have been demonstrated; and

WHEREAS, Segetis, Inc. (“**Segetis**”), a Minnesota business corporation, is a biochemical company that will produce a variety of products using environmentally friendly “green” technologies at a manufacturing facility that it will develop and construct in a short-term time period; and

WHEREAS, the agency, in partnership with the Minnesota Department of Employment and Economic Development (“**DEED**”), has been in negotiations with Segetis to provide financial incentives to entice Segetis to locate its manufacturing facility within the TAA; and

WHEREAS, the parties have reached an agreement whereby the agency will provide Segetis with up to \$21.2 million in funding which, in conjunction with a \$7.1 million investment by DEED and a \$73.8 million investment from Segetis, will result in the development of a full-scale biochemical manufacturing facility near the City of Hoyt Lakes, within the TAA, an economic development project that will lead to 245 construction jobs and, when complete, will employ 50 full-time workers as more fully described in the board packet materials and as presented by staff, which materials are hereby incorporated into this resolution (collectively the “**Segetis Project**”); and

WHEREAS, the technical advisory committee appointed pursuant to Minnesota Statutes Section 298.297 met on April 17, 2014, and recommended that the Board approve the Segetis Project as presented in accordance with the information provided in the board packet materials; and

WHEREAS, the Board met in open session at 10:00 a.m. on April 22, 2014, in the State Office Building in St. Paul, Minnesota, to consider, among other matters, the Segetis Project and has determined that the proposed expenditure of funds for the Segetis Project will create and maintain productive, permanent skilled employment and will diversify and promote the development of a new sector of the economy of the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Iron Range Resources and Rehabilitation Board approves the expenditure of up to \$21,200,000 of agency funds in support of the Segetis Project, as authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund Act under Minnesota Statutes Sections 298.291-298.298 and Minnesota Statute Section 298.28, as follows:

1. Up to \$1.2 million shall be expended from DJJ Funds as budgeted for projects in the agency’s fiscal year 2014 budget; and
2. Up to \$20.0 million shall be expended from DJJ Corpus Funds.

BE IT FURTHER RESOLVED that, to the extent Board approval is necessary, the Board hereby authorizes and approves the proposed expenditure of up to \$7.1 million of DEED’s Minnesota 21st Century Minerals Fund monies under Minnesota Statutes Section 116J.423-116J.424 or 2009 Laws of Minnesota, Chapter 78, Article 1, Section 3, Subdivision 2(k), as amended by 2010 Laws of Minnesota, Chapter 215, Article 7, Section 18, as such laws currently exist or may be amended by future legislative actions.

BE IT FURTHER RESOLVED that the Board’s approval of all expenditures for the Segetis Project is subject to the conditions set forth in the Board packet materials and the provisions customarily contained in agency financing documents and Board Resolution 96-005 that require the recipient of financial assistance to pay at least prevailing wages to workers performing work on Board approved projects.

**PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND
REHABILITATION BOARD THIS 22nd DAY OF APRIL 2014.**

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	9	0	0	0

Signed: _____
Senator David Tomassoni, Chair

To: Iron Range Resources and Rehabilitation Board

From: Tony Sertich
Commissioner

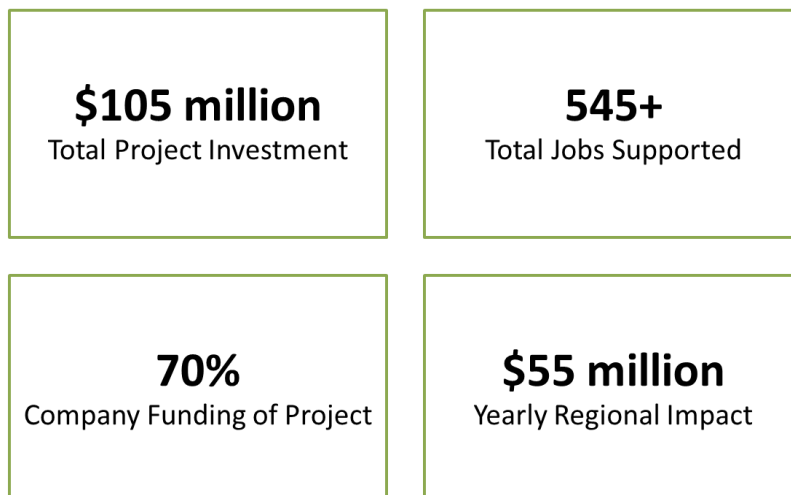
Date: April 22, 2014

Re: INVESTMENT IN BIOCHEMICAL INDUSTRY - SEGETIS, INC.

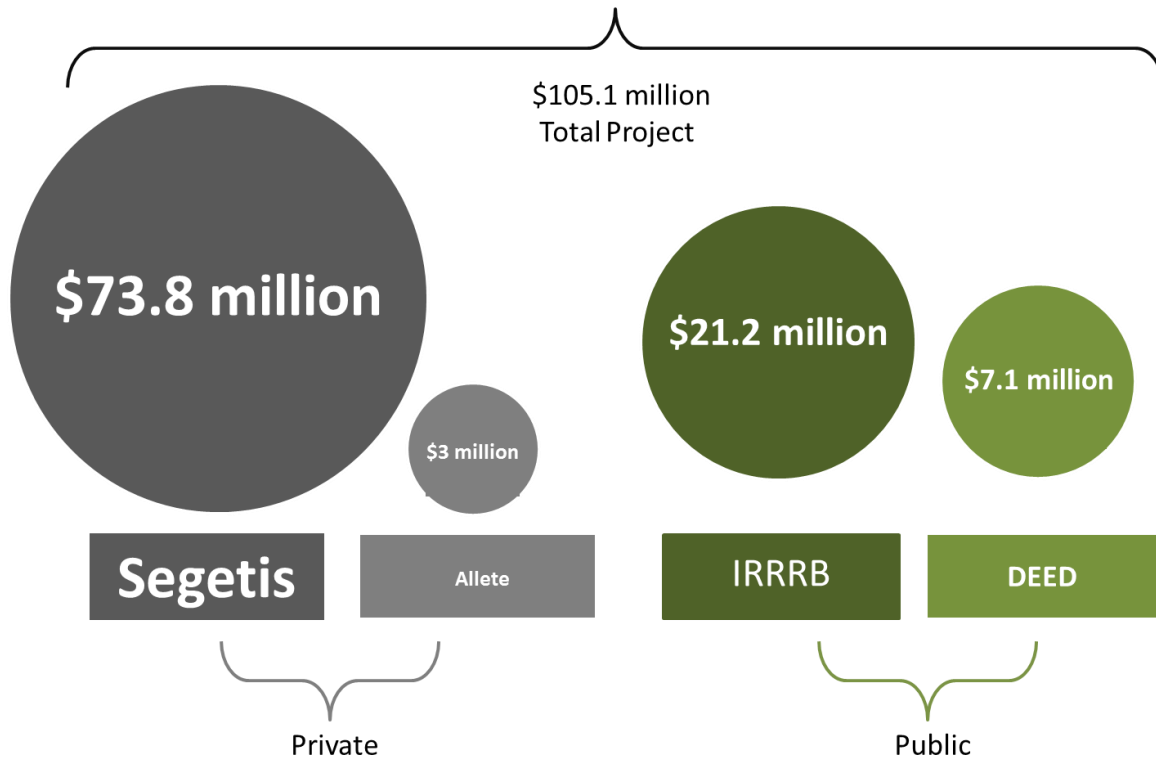
The Iron Range has an opportunity to lead our nation into the future of value added wood products. We are at the cusp of being able to replace many oil based plastics used in everyday life with wood based biochemicals. The Iron Range is perfectly situated to be a leader in the biochemical economy. We have the timber resources, existing wood and forest industry supply chain, available trained workforce, and land needed to succeed in this newly emerging portion of the global economy. Segetis has proven its technology and developed relationships with national companies interested in using their product. I am proposing we take the first step today by partnering with Segetis to further develop their technology here in our region. By doing so, we will be putting our flag in the ground as a region interested in developing a cluster of biochemical businesses willing to use our wood resources, improve our environment, and create good jobs on the Iron Range.

IRRRB's involvement with Segetis dates back to 2006. Agency staff has maintained contact with the company as they have developed their technology.

Proposed Segetis Hoyt Lakes Facility – At a Glance



Project Funding Overview

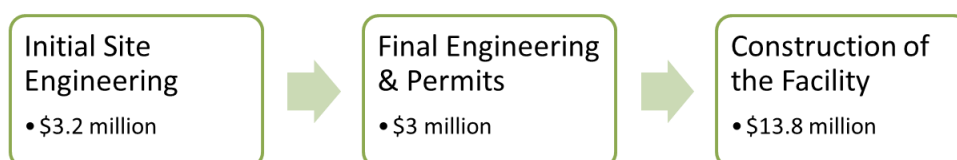


IRRRB will be funding a \$20 million dollar loan from the Douglas J. Johnson Trust Fund. The DJJ fund, as it is commonly known, is a trust fund of local Iron Range tax dollars established in 1977 that supports projects that stimulate employment and encourage diversification of northeastern Minnesota's economy. The DJJ Fund is to be used for the following purposes:

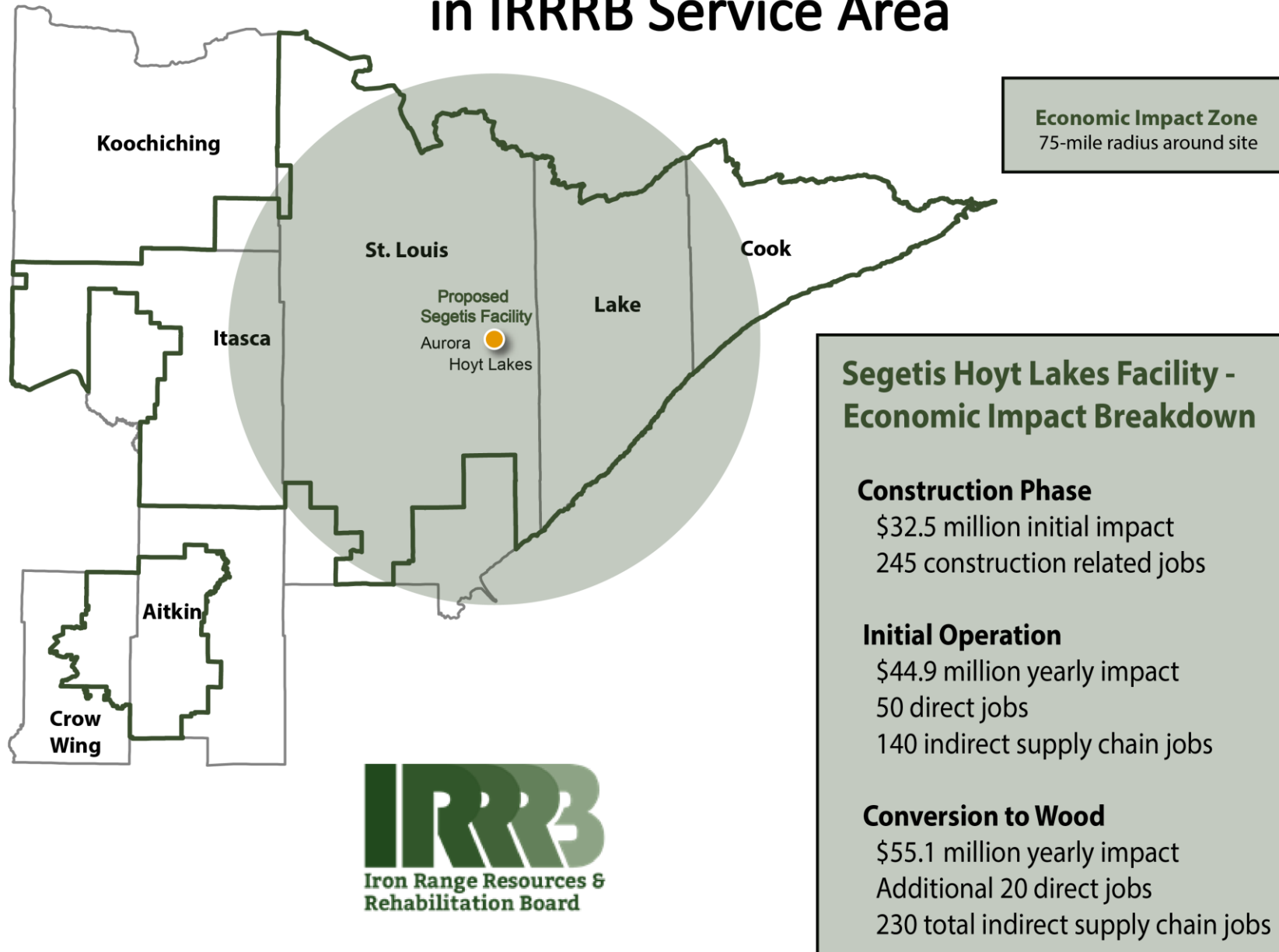
- (1) projects and programs that are designed to create and maintain productive, permanent, skilled employment, including employment in technologically innovative businesses;
- (2) projects and programs to encourage diversification of the economy and to promote the development of minerals, alternative energy sources utilizing indigenous fuels, forestry. . . .

The Segetis project is an ideal fit for both northeastern Minnesota and the DJJ fund as it will create skilled and innovative jobs, diversify the economy while utilizing forest capacity, and is a sustainable, value-added resource opportunity.

\$20 million IRRRB Loan Release – Sequential 3 Steps



Proposed Segetis Hoyt Lakes Facility - Economic Impact in IRRRB Service Area



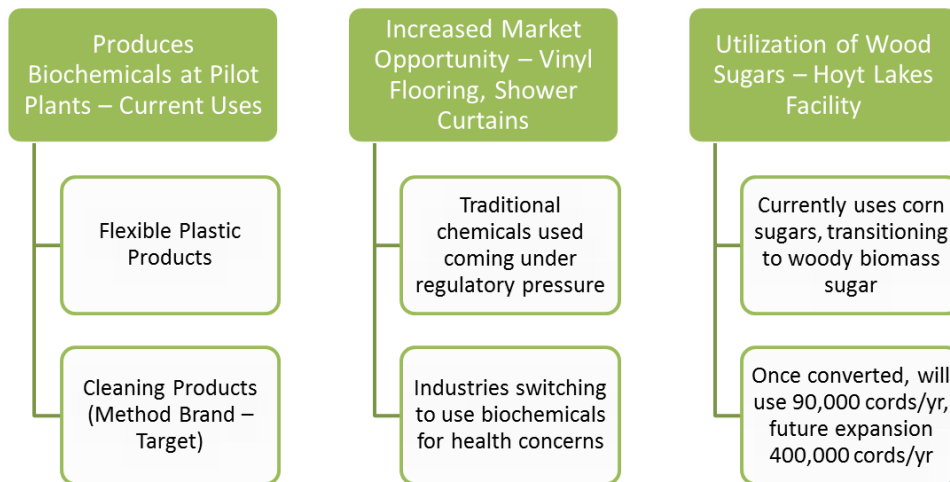


Founded in 2006, Segetis is a renewable biochemical company producing high performance, sustainable materials, reducing the world's dependence on fossil fuel-based petrochemicals. Segetis transforms simple carbohydrates into a chemical building block recognized as a "top 12 value-added chemical from Biomass" by the U.S. Department of Energy.

Segetis' bio-based technology platform is used in flexible plastic products, cleaning products, and a variety of other consumer goods. Method Products, Inc., a manufacturer of home cleaning and laundry products, uses Segetis' materials in a variety of its products that can be purchased at Target stores.

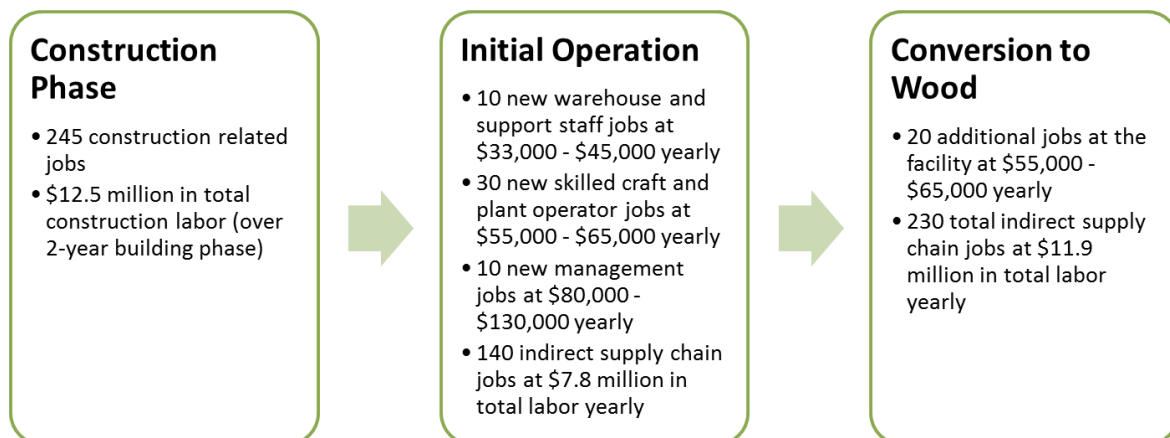
High consumer demand for environmentally friendly and safe chemical products has created a market opportunity of over \$50 billion for these versatile bio-based chemicals. In order to capitalize on this market opportunity, Segetis is proposing to establish their first commercial scale plant in Hoyt Lakes,

Segetis – Products, Opportunity, Facility



Segetis currently has 30 employees; 23 have technical degrees and seven have PhD's. Segetis has developed broad formulation capabilities across a range of markets supported by in-house expertise.

Projected Jobs – Hoyt Lakes Facility



Iron Range Resources and Rehabilitation Board

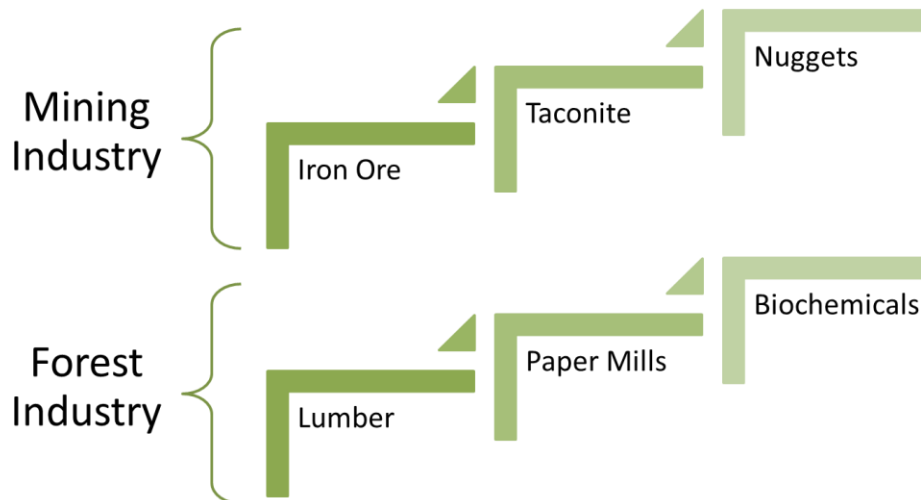
April 22, 2014, Meeting Minutes

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History: IRRRB Investing in Value-Added Natural Resource-Based Industries

Northeastern Minnesota has a legacy of revolutionizing technology to sustain natural resource-based industries. IRRRB has played an instrumental role in this rich history by investing in value-added natural resource-based opportunities throughout our region. Just like the evolution of the mining industry from iron ore to nuggets, the forest industry has expanded to sustainable value-added wood based biochemical opportunities.

Northeastern Minnesota – Natural Resource Technology Evolutions



As biochemical development has continued to emerge, IRRRB identified this industry as a main target in the agency's mission to diversify the economy. This industry is an ideal fit for northeastern Minnesota in many ways. IRRRB's history in the biochemical industry dates back nearly two decades, with an investment in Larex, Inc in 1995. Larex was acquired by Lonza Group in 2006, which continues to produce biochemical ingredients for food and dietary supplements in Cohasset.

Why Biochemicals in northeastern Minnesota?

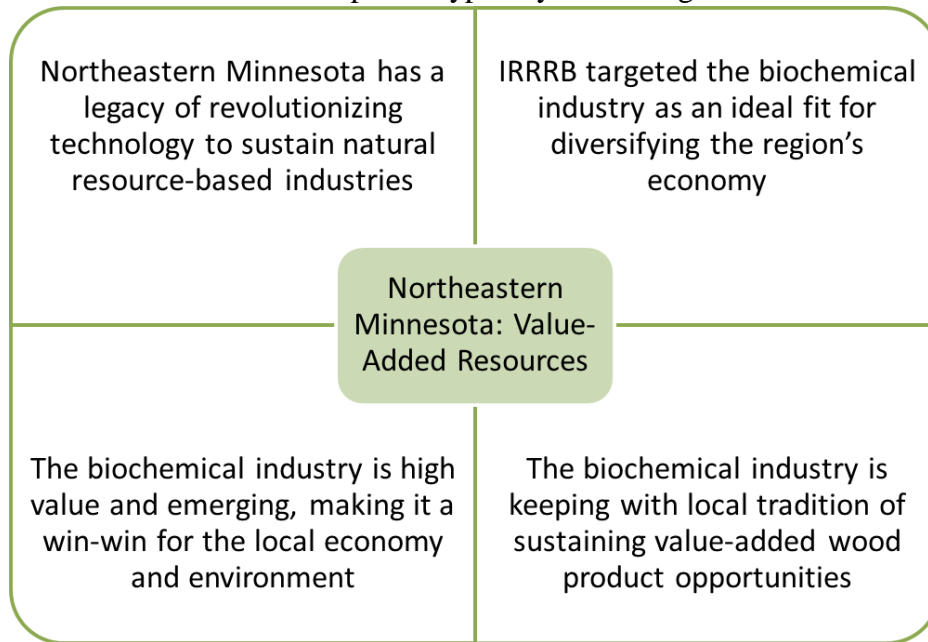
Abundant
timber
resources

Sound
environmental
stewardship in
region

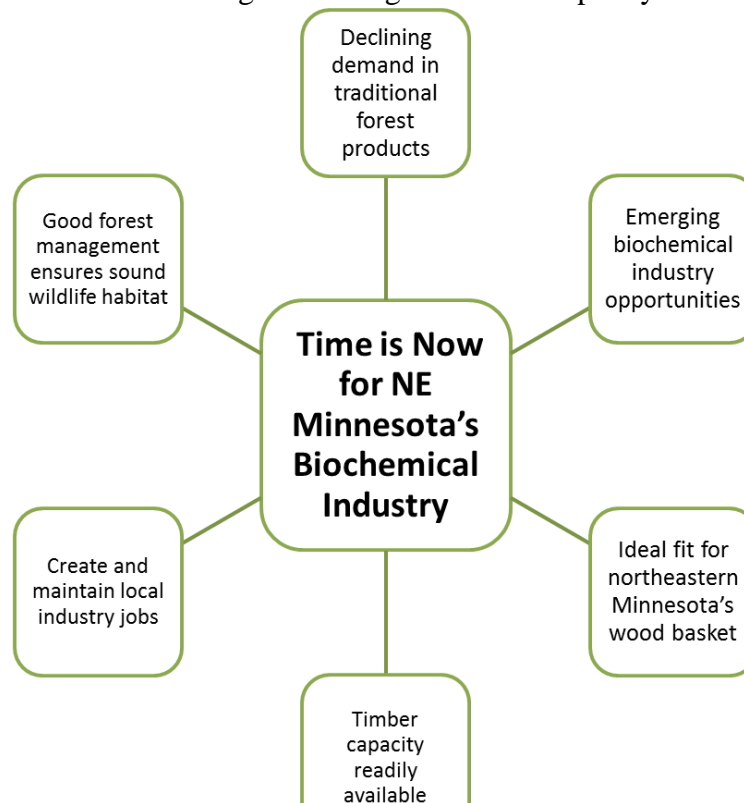
Commercial-
scale
manufacturing
enormous
economic
opportunity

Co-location of
supply chain
(companies
cluster
together)

Good forest management ensures the continuation of many benefits to the region. These include improved water quality, wildlife species and habitat diversity, recreation, timber, aesthetics and air quality. In addition to these forest and environmental benefits for our region, the emerging economic opportunities from commercial scale biochemical products are an idea fit for northeastern Minnesota as similar companies typically cluster together.



It isn't news that traditional forest products, such as lumber and paper, have seen declining demand in recent years. With a large portion of the state's forest resources in our own backyard, northeastern Minnesota has felt the forest product industry's struggle the hardest. However, this has also provided the area with a strategic advantage as timber capacity is readily available.



SEGETIS
680 Mendelssohn Avenue N.
Golden Valley, Minnesota 55427

IRRRB Direct Loan Program

Applicant:	Segetis, Inc.	
Project Location:	Laskin Energy Park Hoyt Lakes, Minnesota 55750	
Principal(s):	Atul Thakrar, President & CEO Andrew Skinner, Vice President, Operations	
Project Description:	Establish a commercial-scale bio-chemical plant. The facility will initially use corn sugars and will transition to using sugars from woody-biomass as its feedstock to produce 25 million pounds of levulinic acid, 9 million pounds of formic acid and 7.5 million pounds of bio-char annually. The transition to use of wood is expected by 2018 and will require 90,000 cords of wood. Construction of the facility is expected to be completed in 2015.	
Market Opportunity:	<p>Segetis has secured letters of interest from current and potential customers for greater than 75% of the planned production of this project.</p> <p>Their primary product, levulinic acid, was classified as one of the top 12 building blocks derived from biomass by the U.S. Department of Energy in 2004. Segetis will use the majority of its levulinic acid in the manufacture of levulinic ketal monomers for use in downstream products. The initial market for this project is the PVC plasticizer market, estimated to be \$14B annually.</p> <p>Strong domestic and foreign markets exist for formic acid and Bio-char.</p>	
Project Investment:		
Private:	Company cash investment	36,800,000
	Commercial debt	37,000,000
	Allete	3,000,000
Public:	IRRRB Direct Loan (20 years at formula rate)	20,000,000
	IRRRB Non-Recourse Loan to Hoyt Lakes (20 years at formula rate)	1,200,000
	DEED 21 st Century Fund Grant	7,100,000
	TOTAL	\$105,100,000

Jobs Projected:	
Construction:	245 construction related jobs estimated at \$12,500,000 total.
Initial operation:	10 new warehouse and support staff jobs at \$33,000 to \$45,000. 30 new skilled craft and plant operator jobs at \$55,000 to \$65,000. 10 new management jobs at \$80,000 to \$130,000. 140 indirect supply chain jobs estimated at \$7,800,000 annually.
Conversion to wood:	20 additional jobs at the project at \$55,000 to \$65,000. 230 indirect supply chain jobs estimated at \$11,900,000 annually.
Collateral:	IRRRB will hold a mortgage on equipment for our first \$6.2 million advanced until the \$37 million of commercial debt is committed. At that time we will release the equipment and receive 5% warrant coverage on our \$15 million remaining to be advanced.
Business History:	Segetis was founded in Golden Valley, MN in 2006 and currently has 30 employees; 23 have technical degrees and 7 have PhD's. Over the past 5 years, Segetis has raised over \$60 million in capital from outside investors for technology, product and market development.
Past IRRRB History:	IRRRB has been in contact with Segetis since 2006.
Contingencies:	IRRRB funds will be restricted to 40% of project costs and disbursement will be contingent on the project reaching certain milestones. \$3,200,000 will be available at the outset of the project for equipment and to complete initial site engineering. When initial engineering is complete, up to \$3,000,000 will be available for final engineering and permitting. This will allow the project to be bid-out on guaranteed prices. At this point, commercial debt funding can be accessed and the remaining \$13,800,000 of IRRRB funding will be available on the 40/60 ratio. Hoyt Lakes applications for infrastructure grant and non-recourse loans must be approved by the Hoyt Lakes City Council and presented to IRRRB.
Technical Advisory Committee Recommendation:	Approval recommended April 17, 2014.
Funding Authorization:	\$7,100,000 - Minnesota Minerals 21 st Century fund \$20,000,000 - DJJ fund (corpus) \$1,200,000 – Current projects budget

PREPARED FOR THE IRRRB
Economic Contribution of Proposed Segetis Facility in Hoyt Lakes, Minnesota

University of Minnesota Extension, with funding from the Great Plains Institute, is in the process of completing a study of the estimated economic contribution of 14 potential bio-based industrial product facilities in Minnesota. Seven proposed facilities were selected as case studies. Each case study was analyzed individually, using data provided by the company proposing the project. One of the facilities included in the analysis was the proposed Segetis facility in Hoyt Lakes, Minnesota. Since Extension had already collected the data and analyzed the information, Extension was asked to compile this short summary report for internal use by the Iron Range Resources and Rehabilitation Board.

SUMMARY OF FINDINGS

Once the Segetis facility in Hoyt Lakes is operating at its full capacity, it is expected the plant will employ 70 individuals and pay \$3.1 million in wages, salaries, and benefits to its workers (table 1). As a result of the activity, an estimated 225 jobs in the 7-county region will be supported. Those jobs will contribute an estimated \$11.5 million in wages, salaries, and benefits to residents of the region.

This analysis is based on the full operations of the facility. The facility is expected to take three years to reach full production. These impacts will be on-going on an annual basis as long as the plant maintains the level of production. Impacts are based only on purchases predicted to be made from local companies.

Table 1: Estimated On-Going Annual Potential Economic Contribution of the Operations the Proposed Segetis Hoyt Lakes Facility on the Economy of the 7-County IRRRB Region

Impact Type		Employment	Labor Income (millions)	Output (millions)
Direct	At the facility	70	\$3.1	\$20.3
Indirect	Business-to-business supply chain	140	\$7.8	\$22.8
Induced	Business-to-consumer supply chain	15	\$0.6	\$1.8
Total		225	\$11.5	\$44.9

Estimates by University of Minnesota Extension Center for Community Vitality. Data for the analysis submitted to Extension by Segetis, no analysis of feasibility was completed by Extension.

Before operations begin, the proposed facility will need to be constructed. While operation impacts will be on-going when the facility begins production, construction impacts will be a one-time impact. Construction impacts will dissipate when construction is completed. It is anticipated construction will occur over a two-year period.

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Segetis estimates construction of the facility will cost \$62.0 million. We assumed all construction contract work would be done by local businesses. Land acquisition is not included in economic impact analysis. Since the major equipment for the facility is highly specialized, it was assumed the equipment would not be purchased locally. Therefore, total construction expenditures by Segetis would total \$21.7 million in the region. According to the model, 155 construction workers would be employed to complete the work and be paid \$8.9 million in compensation (table 2).

During the construction phase, the Segetis project would support an estimated 245 jobs and an estimated \$12.5 million in labor income in the region.

Table 2: Estimated One-Time Potential Economic Contribution of the Construction of the Segetis Hoyt Lake Facility on the Economy of the 7-County IRRRB Board Region

Impact Type		Employment	Labor Income (millions)	Output (millions)
Direct	At the facility	155	\$8.9	\$21.7
Indirect	Business-to-business supply chain	40	\$1.6	\$4.6
Induced	Business-to-consumer supply chain	50	\$2.0	\$6.2
Total		245	\$12.5	\$32.5

Estimates by University of Minnesota Extension Center for Community Vitality. Data for the analysis submitted to Extension by Segetis, no analysis of feasibility was completed by Extension.

POTENTIAL IMPACTS OF WOOD-BASED SUGAR AS A FEEDSTOCK

The proposed Segetis facility in Hoyt Lakes is anticipated to begin operations using sugar from corn. The corn-based sugar would be imported into the region from southern Minnesota. If available, the plant could use wood-based sugar in its production process. Corn production in the region is not predicted to increase as a result of the facility operating. However, if the plant used a wood-based sugar, logging could potentially increase in the region.

Therefore, we ran the analysis assuming 90,000 cords of wood were converted into sugar for use in the plant. The results are shown in table 3. We assumed 80 percent of the wood used would be logged in the 7-county region.

Table 3: Estimated On-Going Annual Potential Economic Contribution of the Operations the Proposed Segetis Hoyt Lakes Facility on the Economy of the 7-County IRRRB Region Using Wood-Based Sugar

Impact Type		Employment	Labor Income (millions)	Output (millions)
Direct	At the facility	70	\$3.1	\$26.6
Indirect	Business-to-business supply chain	230	\$11.9	\$26.7
Induced	Business-to-consumer supply chain	15	\$0.6	\$1.8
Total		315	\$15.6	\$55.1

Estimates by University of Minnesota Extension Center for Community Vitality. Data for the analysis submitted to Extension by Segetis, no analysis of feasibility was completed by Extension.

ASSUMPTIONS AND CAUTIONS

- Findings are based on information submitted to Extension by Segetis. The construction and operation costs are valid as of 4/3/14. Extension did not explore the feasibility of the proposed project or vet the proposed expenditures.
- Construction activities were assumed to be performed by local contractors. Land purchases are not included in the analysis. Specialized equipment purchases are also not included in the analysis.
- No additional production was modeled for corn-based sugar feedstocks (i.e. corn production would not increase, rather corn would be diverted from other uses).
- All efforts were made to include only operational purchases that would likely be made from companies located in the 7-county region. For example, utilities are typically provided by a local service provider. On the other hand, the facility purchases goods through a wholesaler located outside the region. Those purchases are not included in this impact.
- Profits were not modeled in the economic impact.
- The research was conducted following standard input-output theory and methodology. This methodology does not consider long-term price or long-term market changes.
- The input-output model IMPLAN (IMPLAN Group LLC) was used in this analysis. We used version 3.0 and 2012 data.

PREPARED BY

Brigid Tuck, Economic Impact Analyst, University of Minnesota Extension, tuckb@umn.edu, or 507-389-6979



APPENDIX 1: DEFINITION OF TERMS

Output

Output is measured in dollars. Direct output is equal to total expenditures by the company in the 7-county region.

Employment

Employment includes full- and part-time workers and is measured in annual average jobs. Total wage and salaried employees as well as the self-employed are included in employment estimates in IMPLAN. Because employment is measured in jobs and not in dollar values, it tends to be a very stable metric.

Direct Impact

The direct impact is equivalent to the initial change in the economy by the facility. Here it is spending directly by Segetis in the 7-county region.

Indirect Impact

The indirect impact is the summation of changes in the local economy that occur due to **spending for inputs** (goods and services) by the industry or industries directly impacted. For instance, if employment in a manufacturing plant increases by 100 jobs, this implies a corresponding increase in output by the plant. As the plant increases output, it must also purchase more of its inputs, such as electricity, steel, and equipment. As it increases its purchase of these items, its suppliers must also increase their production, and so forth. As these ripples move through the economy, they can be captured and measured. Ripples related to the purchase of goods and services are indirect impacts.

Induced Impact

The induced impact is the summation of changes in the local economy that occur due to **spending by labor** – by the employees in the industry or industries directly impacted. For instance, if employment in a manufacturing plant increases by 100 jobs, the new employees will have money to spend to purchase housing, buy groceries, and go out to dinner. As they spend their new income, more activity occurs in the local economy. This can be quantified and is called the induced impact.

Total Impact

The total impact is the summation of the direct, indirect and induced impacts

11) Adjournment

The meeting adjourned at 12:53 p.m.